

The BT Rolatruc Limited Staff Life Assurance  
and Pension Scheme

**Annual Implementation  
Statement – Scheme year  
ending 5 April 2023**

## Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the BT Rolatruc Limited Staff Life Assurance and Pension Scheme (“the Scheme”) covering the scheme year (“the year”) to 5 April 2023.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustees, the Scheme’s policy on engagement and voting (as set out in the Statement of Investment Principles (the “SIP”)) has been followed during the year; and
- A description of voting behaviour (including the “most significant” votes made on behalf of the Trustees) and any use of a proxy voter during the year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustees. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies and principles set out in the Trustees’ SIP.

A copy of this implementation statement has been made available on the following website:  
<https://toyota-forklifts.co.uk/pension-scheme-governance/>

## Review of and changes to the SIP

The SIP was reviewed once during the Scheme year in October where it was agreed by the Trustees that no changes were required. The version in place as at the start of the Scheme year was dated September 2020. A review of the SIP is due to occur in September 2023. For the purpose of assessing how the Scheme’s SIP has been followed, the remainder of this statement specifically focusses on the SIP agreed in September 2020.

## Adherence to the SIP – voting and engagement

As set out above, the Trustees have delegated responsibility to the Fiduciary Manager to implement the Trustees’ agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance (“ESG”) factors are allowed for in the portfolio.

The Trustees’ view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustees believe that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustees have appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustees incorporate an assessment of the Fiduciary Manager’s performance in this area as part of its overall assessment of the Fiduciary Manager’s performance.

The Fiduciary Manager’s process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager’s approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The policies and processes described above have impacted the Scheme’s investments in numerous ways. Through its investment in the Partners Fund, the Fund also manages risk and considered ESG integration in its investment processes and strategies through:

- UK forestry –The strategy will acquire unused agricultural land in the north of England and Scotland to plant trees and grow forests, capturing carbon in the process. The intention is to hold the forests that have been created for three to five years until the trees have established themselves after which there are various possible exit routes.
- Japanese Solar Panels - Invests (through a third party manager) in Japanese renewable energy with some exposure to other solar energy. Invests in late stage construction and development of solar, biomass and battery storage in Japan.

Both the Global Equity Focus Fund and Partners Fund have Article 8 Sustainable Finance Disclosure Regulation designation. This covers a Fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, amongst other requirements.

The Investment Manager intends for these Sub-Funds to achieve at least a 50% reduction in greenhouse gases by 2030 in its portfolio and continue beyond that time to further reduce greenhouse gases from the portfolio with an aim of net zero emissions by 2050. Progress is measured using multiple climate metrics.

### Industry wide / public policy engagement

The Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustees). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to several of its funds. Some highlights from EOS' activities over 2022:

- Engagements with 1,138 companies on a total of 4,250 issues and objectives.
- 33 responses to consultations or proactive equivalents and 75 discussions with relevant regulators and stakeholders.
- Voting recommendations in relation to 134,188 resolutions at 13,814 meetings, including 24,461 being against management.
- Active participation in a number of stewardship initiatives including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework.

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retained that status
- Co-founding the Net Zero Investment Consultants Initiative with eleven other investment consultants in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum)
- Co-founding the Investment Consultants Sustainability Working Group

- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network
- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

### Company level engagement and rights attached to investments (including voting)

The Trustees have delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme’s investment managers. The day-to-day integration of ESG considerations and stewardship activities (including consideration of all relevant matters, voting and engagement) are delegated to the Scheme’s investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustees expect investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers’ policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager’s appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme’s equity managers as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of “significant votes”, three of those deemed most significant by the Trustees have been shown below.

At the year end, the Scheme was invested in an in-house multi-asset growth fund and an active global equity fund, both managed by the Fiduciary Manager and have an allocation to equity holdings in underlying pooled funds:

- Towers Watson Investment Management (TWIM) Partners Fund
- Towers Watson Investment Management (TWIM) Global Equity Focus Fund

The table below sets out a summary of the voting within each Towers Watson Investment Management (“TWIM”) fund. This data represents activity over the period 1 April 2022 to 31 March 2023.

Manager and strategy	Portfolio structure	Voting activity
Towers Watson Partners Fund	Fund of funds	Number of meetings at which the manager was eligible to vote: 1,890 Number of resolutions on which manager was eligible to vote: 25,560 Percentage of eligible votes cast: 93% Percentage of votes with management: 86% Percentage of votes against management: 14% Percentage of votes abstained from: 1% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 64% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 5%

Towers Watson Global Equity Focus Fund	Fund of funds	<p>Number of meetings at which the manager was eligible to vote: 150</p> <p>Number of resolutions on which manager was eligible to vote: 2,548</p> <p>Percentage of eligible votes cast: 99%</p> <p>Percentage of votes with management: 88%</p> <p>Percentage of votes against management: 11%</p> <p>Percentage of votes abstained from: 2%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 61%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 11%</p>
---	------------------	--

In addition, each TWIM fund has reported on the most significant votes cast within the underlying funds managed on behalf of the Scheme, including reasons from the underlying managers why the votes identified were considered significant, the rationale for the voting decision and the outcome of the vote:

Most significant votes cast	Coverage in portfolio
<p><b>Company:</b> <u>Anglo American Plc</u></p> <p><b>Resolution:</b> Approve Climate Change Report</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for the voting decision:</b> The climate change report sets out clear pathways to carbon neutral operations by 2040 and the company's ambition to reduce Scope 3 emissions by 50%, also by 2040.</p> <p><b>Rationale for being considered a significant vote:</b> In line with our Proxy Voting Policy, we generally support initiatives to mitigate environmental risks which will, in turn, enhance long-term company performance.</p> <p><b>Outcome of Vote:</b> Pass</p>	<p>Towers Watson Partners Fund (0.1%)</p>
<p><b>Company:</b> <u>Salesforce</u></p> <p><b>Resolution:</b> Oversee and Report a Racial Equity Audit</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for the voting decision:</b> Promotes appropriate accountability and incentivisation on gender and diversity</p> <p><b>Rationale for being considered a significant vote:</b> We consider diversity to be a critical factor influencing the long-term performance and sustainability of a company.</p> <p><b>Outcome of the vote:</b> Failed</p>	<p>Towers Watson Partners Fund (0.4%)</p>
<p><b>Company:</b> <u>Cigna Corporation</u></p> <p><b>Resolution:</b> Report on gender pay gap</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for the voting decision:</b> We support disclosure of data to assess Cigna's gender pay gap on a raw and adjusted basis, which will positively support Cigna's global recruitment and human resources efforts.</p> <p><b>Rationale for being considered a significant vote:</b> Diversity, equity and inclusion are important for the long-term success of a company for them to attract and retain talent which in turn is important for shareholders' interests.</p> <p><b>Outcome of the vote:</b> Failed</p>	<p>Towers Watson Partners Fund (0.3%)</p>
<p><b>Company:</b> <u>Microsoft</u></p> <p><b>Resolution:</b> Report on Tax Transparency</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale for the voting decision:</b> For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency</p> <p><b>Rationale for being considered a significant vote:</b> Voted against management recommendation</p> <p><b>Outcome of Vote:</b> Not Approved</p>	<p>Towers Watson Global Equity Focus Fund (3.7%)</p>

<p><b><u>Company: Alphabet Inc.</u></b></p> <p><b>Resolution:</b> Report on Risks of Doing Business in Countries with Significant Human Rights Concerns</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for the voting decision:</b> For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks</p> <p><b>Rationale for being considered a significant vote:</b> Voted against management recommendation</p> <p><b>Outcome of Vote:</b> Failed</p>	<p>Towers Watson Global Equity Focus Fund (3.1%)</p>
<p><b><u>Company: Amazon</u></b></p> <p><b>Resolution:</b> Report on Efforts to Reduce Plastic Use</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for the voting decision:</b> Promotes transparency around environmental issues</p> <p><b>Rationale for being considered a significant vote:</b> The manager considers ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.</p> <p><b>Outcome of Vote:</b> Failed</p>	<p>Towers Watson Global Equity Focus Fund (1.5%)</p>

## Conclusion

The Trustees consider that all SIP policies and principles were adhered to during the year.

## Appendix 1: Manager voting policies

As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. TWIM expects all of the underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. TWIM have appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all TWIM clients. In addition, EOS is expanding the remit of engagement activity they perform on TWIM's behalf beyond public equity markets, which will enhance stewardship practices over time.

**For the TW Partners Fund**, the equity exposure comes from four main areas:

- Our global equity portfolio where EOS provides voting recommendation to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers must provide an explanation and note their rationale when they choose to vote differently to the recommendation. The underlying managers in this portfolio use ISS's 'ProxyExchange' electronic voting platform to facilitate voting.
- Our China equity manager uses Glass Lewis service where they have created a bespoke policy.
- Our emerging markets equity managers use ISS, Glass Lewis, SES and Broadridge Proxy Edge platforms for information and to facilitate voting.
- Our long-short equity managers use ISS to provide corporate research and to facilitate the voting process.

**For the TW Global Equity Focus Fund**, EOS provides voting recommendation to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation.